TESTIMONY OF JOHN CLANTON, CEO
LYNNTECH, INC.

BEFORE A JOINT HEARING OF THE SUBCOMMITTEE
ON CONTRACTING AND WORKFORCE,
SMALL BUSINESS COMMITTEE
US HOUSE OF REPRESENTATIVES

AND

THE SUBCOMMITTEE ON RESEARCH AND TECHNOLOGY,
SCIENCE, SPACE AND TECHNOLOGY COMMITTEE
US HOUSE OF REPRESENTATIVES

Washington, DC

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Chairman Knight, Ranking Member Murphy, Chairwoman Comstock and Ranking Member Lipinski, Members of the Subcommittee: On behalf of Lynntech, Inc. I would like to thank you for the opportunity to appear before you today to offer our company's insights on additional improvements to the Small Business Innovation Research Fund (SBIR). These suggested improvements would enhance the effectiveness of the Program in generating technological innovation in the commercial and military marketplaces.

Since our founding in 1987, Lynntech has a proud history of performance within the SBIR program. Not only have we won a significant number of contracts, but we have also generated transition of these technologies particularly in the fuel cell, fuel cell testing, and military technology markets. Today, we have significant efforts ongoing in three areas: (1) infrared camera signal improvements, (2) power systems for the Navy's Unmanned Undersea Vehicle programs and (3) on demand hypoxia training devices that do not rely on gas bottles for support thereby easing the logistics burden and costs of the preceding programs. This latter effort is crucial because Lynntech will be entering production of these devices in the 2nd Quarter of 2018. Representative Murphy will be pleased to hear that we unveiled the technology at last year's I/TSEC event in Orlando, the world's preeminent military training and simulation showcase. In two weeks we travel to NATO to present the technology. Thus, there is a strong likelihood that we will have achieved that rare event in the SBIR program; an export orderbook. The result of these activities led to the SBA acknowledging Lynntech as a 2016 recipient of the Tibbetts award.

As you can see, Lynntech has been focused on transition for some time and we have been active participants and observers of the manner in which the agencies have helped SBIR awardees to gain a foothold in a procurement market that follows on from their SBIR work. We also applaud efforts in the past to make the SBIR program more flexible and to allow agencies to piggyback investments already made in order to bring a technology to market as fast as possible.

However, the focus on commercialization across agencies has not always been consistent. There are several reasons for this. Since most of the work that Lynntech has done is in the military sector, I will focus my attention there:

1. Despite the persistent support from political appointees, the procurement system discourages program managers from taking risk. Thus, new technology development has a high barrier to entry.
2. The Planning and Budgeting process at DOD is inflexible when new technology developments are proposed and of interest to the acquisition

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manager. Funding is locked in years in advance. Everything in the system militates against the insertion of new technologies.

3. The Services approach to the SBIR program differ widely. The Navy has an active program of SBIR utilization, although even here it is difficult to get new technologies certified for use in the fleet. Since my last appearance before the Small Business Committee three years ago, the Air Force has made great strides toward commercialization success under the new leadership at the SBIR Program Manager's office. And although Lynntech has been critical of the Army's transition success rate, I can report that at recent events, including the TARDEC Industry Days, that SBIR research is being incorporated into new technology developments for the future infantry vehicle fleet. This is real progress.
4. The reason that many successful technology development firms don't participate in the SBIR program is the fact that it can take years before your new technology can be transitioned. These delays are not only the result of risk-averse program management but also due to a contracting process that can be termed as glacial. It is not uncommon for Lynntech to be notified of a contract selection to not see the award for anywhere from 6-12 months after notification. Small businesses have a difficult time coping with such delays.

Authorization Legislation

Lynntech was gratified to see that the SBIR program was re-authorized last year but disappointed that many of the improvements that many of us were looking for were not adopted. We are hopeful that these improvements can make their way into a new bill going forward with the joint support of both the Science and Small Business committees. I will summarize our recommendations for minor changes to the program which we will provide greater opportunity for commercialization.

1. Recommendations for the Congress Regarding SBIR Improvement

The Small Business Innovation Research Program is an important tool for the US Government to support innovative research performed by 11 Federal agencies. The largest programs are administered by the Department of Defense and the National Institutes of Health.

The program is currently authorized to operate through 2022. However, several pilot initiatives are set to expire at the end of FY 2017. The two pilots of most

importance to Lynntech is the ending of the Direct to Phase II and the elimination of the 3% administrative pool.

Lynntech has been the beneficiary of a Direct to Phase II award and is on a path to commercialize an important technology for the Defense Health Agency. The Direct to Phase II means that prior development work undertaken by Lynntech can be applied immediately to further a technology that can be used to address a capability gap and to get that technology to the warfighter that much more rapidly.

The 3% administrative pool should also be reauthorized as this was a good vehicle to help educate acquisition managers on how they can transition SBIR technologies to their platform and how to help underwrite Phase III initiatives. We believe that the 3% pool should be made permanent and to deliver Congressional intent as to utilizing the pool for commercialization support.

Our other recommendations:

1. Expand the financial resource pool by eliminating the word "extramural" from the resource pool definition.
2. Clarify Congressional intent by making it clear that subsequent Phase II awards are an acceptable exception to the acquisition rules regarding competitive awards since the competitive pool was created by the Phase I process. The current statutory language and the SBA Policy Directive is unclear on this point, which is to ensure that a promising technology receives the support it needs to be fully developed. Furthermore, some agencies have interpreted the acquisition language in such a way that it stifles discussion between the contractor and the program managers to ensure that the technology development fully meets the requirements of the acquisition program. The competition took place at the Phase I level and subsequent contract developments should be negotiated between the contractor and the Government.
3. Allow Federal agencies to award up to a cap of $3 million on Phase II awards.
4. Allow Federal Agencies to make multiple Phase II awards sufficient for transition.
5. Allow for Cross-agency Phase II awards in circumstances where a small business concern has received a Phase I, Phase II or subsequent Phase II awards from another agency. This needs to be fully defined in the SBA Policy Directive.

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2. A comment on University attitudes to the SBIR program

Last year, the Universities were highly critical of the discussion surrounding the improvement of the SBIR program that was being discussed. In their testimony before the Science Committee, the Universities noted that any consideration of a set-aside increase of the SBIR would harm the ongoing availability of Federal fiscal resources for the University-based research. It should be noted that their statements in regard to the growth of the set-aside in previous years ignored the base dollars that flowed to the SBIR program which was miniscule in relation to the total Federal R&D funds available to the Universities.

Lynntech has had a close relationship with its University partners, including Texas A&M among many others. Currently, our partners benefit from our receipt of SBIR funding support as we award nearly 20% of our contract revenue in the form of subcontracts to our partners. Their position ignores the importance of the small business community serving as a vehicle to transition technologies out of the lab and into the marketplace.

A recent Forbes magazine article that Universities as a whole (and there are exceptions) have not utilized corporate relationships to move from basic research to engineering development. It is engineering development that fuels economic activity and it is the engineering development component of the SBIR program that our University partners will fully realize the promise of new technologies coming out of the lab.

I appreciate this opportunity to offer Lynntech's observations on the current state of the SBIR program and the potential for offering improvements to enhance the commercialization of SBIR funded development. I stand ready to answer any questions you may have.

Thank you.

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